



Of Interest In Kentucky

Quarterly Newsletter of the Department of Financial Institutions

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"DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities."

Payday lending database starts

A new online, real-time payday lending database went live April 30 – well ahead of the July 1 mandate. The database will ensure compliance with existing state laws that limit the number and amount of payday loans to consumers.

Since 1998, Kentucky Revised Statute Chapter 286.9 has limited customers to two payday loan transactions at a time totaling \$500. The term can range from 14 to 60 days and the fee can be up to \$15 per \$100 borrowed. However, there has never been a tracking system to verify, in real time, that a borrower has no more transactions than permitted. During the 2009 session of the General Assembly, Kentucky lawmakers approved the legislation creating the database, which will be monitored by DFI.

"The General Assembly has provided the department with an important enforcement tool," said DFI Commissioner Charles Vice. "This database will improve transparency, monitoring and data collection."

The Kentucky Deferred Presentment Transaction System is a secure, online database at www.kydpp.com, constructed and maintained by Veritec Solutions LLC, the third-party provider secured by DFI.

"This statewide database will make it possible to accurately track whether customers have multiple loans and to ensure the loans comply with the state law," said DFI's Nondepository Division Director Nicole Biddle. "Customers who exceed the limit will not be able to obtain a new payday loan until they pay off prior loans to a point where they become eligible."

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Photo by: Marvin Young, Creative Services
Kentucky DFI received its national mortgage accreditation certificate on Feb. 25. CSBS President Neil Milner, center, presented the certificate to Gov. Steve Beshear while staff from the department, cabinet and Rep. Tommy Thompson look on.

DFI is third mortgage regulator accredited

DFI was recognized as one of the nation's leading mortgage regulators, as Gov. Steve Beshear accepted DFI's certificate of mortgage accreditation on Feb. 25. Kentucky DFI is the third state mortgage regulator to achieve national accreditation by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR).

"Kentucky is one of the first accredited states, which demon-

strates my administration's commitment to public protection," said Gov. Beshear. "The accreditation signifies the Kentucky Department of Financial Institutions conforms to the highest standards of mortgage supervision and regulation. I congratulate the Department and its staff on this important accomplishment."

The goal of the CSBS-AARMR Mortgage Accreditation program is to encourage

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state mortgage regulators to promote excellence in mortgage regulation and to protect consumers without undue burden to the industry. The accreditation program involves a comprehensive review of the critical elements that assure a state regulator's ability to supervise the mortgage industry.

"DFI has been a proponent for strong mortgage regulation and consumer protections," said DFI Commissioner Charles Vice. "Achieving accreditation further demonstrates our commitment to that goal. We are pleased that CSBS and AARMR have recognized Kentucky as a national leader in consumer protection and marketplace integrity."

Neil Milner, president and CEO of CSBS, presented the certification to Gov. Beshear, Public Protection Cabinet Secretary Robert D. Vance and Commissioner Vice. Milner congratulated the department and noted that states are frontline regulators of the mortgage industry.

"We believe that this new CSBS-AARMR designation demonstrates in the most concrete fashion that state mortgage regulators are well positioned to fulfill responsibilities placed on them by state and federal legislation, including the federal SAFE Act," Milner said.

Details about the Mortgage Supervision Accreditation program may be found online at www.kfi.ky.gov/nondepository.

CSBS is a nationwide organization that represents state bank regulators and state-chartered financial institutions. AARMR is the national organization representing state residential mortgage regulators.



Gov. Steve Beshear, seated, signs Senate Bill 117, which modifies the state laws governing banking in Kentucky.

Photo by: John Perkins, Creative Services

Bank, securities bills pass

Two DFI bills passed during the 2010 General Assembly session. Senate Bill 117 modifies the state banking laws, Kentucky Revised Statute Chapter 286, and SB130 modified the Kentucky Securities Act, KRS 292. Both were sponsored by Sen. Tom Buford.

SB 117 benefits and protects the public by increasing regulatory oversight by bank examiners; preventing misleading company names by limiting the use of the words "bank" or "trust" by businesses; and improving safety and soundness by raising the minimum capital stock of a newly organized bank to \$5 million. The bill benefits the industry by streamlining procedures for chartering, converting from a national bank to a state bank, and for closing, consolidating or relocating branch offices. It also includes a housekeeping measure related to consumer loan companies and clarifies permissible fees for guardians and conservators.

SB130 protects investors from fraud, educates the public about mak-

ing informed investment decisions and helps companies in their legitimate efforts to raise capital. Housekeeping measures include reorganizing a lengthy section of the act into eight different sections, amending definitions to conform to federal law and be more consistent with other states, and clarifying open records and confidential information. To protect consumers, the bill clarifies that all investors must receive material information in connection with securities sold in a transaction that is exempt from Kentucky registration. It sets up a Securities Fraud Prosecution and Prevention Fund so a portion of fines assessed can be used for prosecution assistance, training, equipment, investigation and investor education. The bill also sets maximum fines for violations of the securities laws and doubles the maximum fine for violations that harm those over age 60.

Both bills will become law July 15.

To learn more, visit www.lrc.ky.gov/record/10RS/bills_S.htm.

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Payday lending database starts

Customers with questions about the system or the status of their payday loans can call Veritec's toll-free customer call

center at 877-KY-DPP01 (877-593-7701). Initially, the call center will be open from 9 a.m. to 6 p.m. Monday through Friday and 10 a.m. to 3 p.m. on Saturday.

For more information about 2009's House

Bill 444, which required implementation of the database, visit www.kfi.ky.gov/nondepository/hb444.htm. To file a complaint, visit www.kfi.ky.gov/complaint/ficomplaint.htm or call 800-223-2579.

DFI board welcomes two new members

Two new members have joined the Financial Institutions Board. DFI welcomes Branden Gross and William L. Tatum Jr. as public at large representatives. Both were appointed in November by Gov. Steve Beshear, and each will serve a four-year term ending Oct. 10, 2013.

Gross is an attorney for Wyatt, Tarrant & Combs LLP in Lexington. He is a graduate of the University of Kentucky and lives in Lexington with his

wife, Alexis, and son, Aiden. He also serves on the board of directors of the Fayette County Bar Association and is a member of the Fayette County Democratic Party Executive Committee.

Tatum is retired and farms in Lebanon, where he lives with his wife, Ann-Michelle. He is a graduate of Eastern Kentucky University and currently serves as a board member at Peoples Bank and a trustee at St. Catherine College.

The board consists of 12 representatives from all segments of Kentucky's financial industry and the public at large. The board is responsible for preparing and submitting, at the Governor's request, a list of candidates qualified to serve as executive director and recommending a proposed salary. Also, the board can recommend salary structure for the office staff. They receive and comment on various reports relating to the office and its activities.

In Brief...

DFI suggestion saves money

DFI congratulates administrative specialist Allison Harrod for implementing an employee suggestion that will save DFI more than \$24,000 a year. Allison suggested scanning incoming mail and correspondence into a designated shared folder on DFI's secure server. Then the appropriate field staff can access the information from their computers. The old procedure included copying the mail and re-packaging it to be forwarded to the appropriate staff, regardless of the volume or confidentiality. The savings includes decreased costs of ink, paper, labels, envelopes, postage and labor. In addition to saving money, this new procedure ensures the confidentiality of sensitive documents.

"I want to thank my director, Kathy Stewart, for guiding me through the process and allowing me to put so much energy in to researching the cost savings," said Allison. "I'm very happy that I could help the department. It is a victory

for everyone!"

Allison received a cash award for her suggestion. The Kentucky Employee Suggestion System is an incentive program designed to encourage employees to participate in good management by sharing ideas on improving their productivity and the services offered by the state. Employees may use the online system at <http://personnel.ky.gov/emprel/kess/>.

Consumers can verify lenders

Consumers now have free access to information on state-licensed mortgage companies, branches and individuals through the Nationwide Mortgage Licensing System & Registry (NMLS).

Consumer Access is a searchable Web site that provides consumers with a single location to obtain information on their mortgage providers. Consumers are able to use the system to identify legitimately licensed providers. For more information, visit www.nmlsconsumeraccess.org/.



Question masters Tom Kenny of Lexington's WTVQ TV and Heather Clary of the Central and Eastern Kentucky Better Business Bureau stand with Mason County High team members (left to right) Amrita Srinivasan, Garric Buzard, Connor Appelman, Beth Bussell and co-coach Jeanna Melton.

Mason wins LifeSmarts

Mason County High School won this year's LifeSmarts state competition. Mason County edged out Louisville's duPont Manual and Bracken County High schools to claim the state championship title at Kentucky State University in Frankfort on March 4.

The Mason County team represented Kentucky at the national LifeSmarts competition in Miami on April 24-27, where they placed 21st.

LifeSmarts is an annual consumer education game-show style competition for high school students. Stu-

dents tested their knowledge and skills by answering questions in the areas of health and safety, personal finance, environment and technology, and consumer rights and responsibilities. Teams qualified online for the chance to meet face-to-face in Frankfort.

DFI and the Office of the Attorney General co-sponsor LifeSmarts. Other partners include the Department of Insurance, the Better Business Bureau, and 4-H Cooperative Extension Service.

For more information, visit www.lifesmarts.org.

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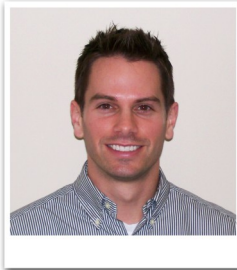
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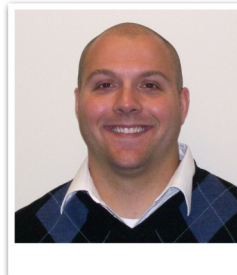
"Of Interest in Kentucky" is published quarterly by DFI. It is available free via e-mail. To subscribe or unsubscribe, e-mail kelly.may@ky.gov. The newsletter also is available on the Web at www.kfi.ky.gov/public/newsletter.htm.

Meet the new staff members

Jesse Vaughn returned to DFI as a securities examiner in the Enforcement Branch on Dec. 1. He previously worked as a DFI bank examiner in 2007 and 2008, leaving to complete a second degree. Jesse holds two bachelor's degrees from the University of Kentucky – business administration and accounting. His prior experience was in business banking at PNC Bank. He lives in Lexington.



Anthony Pernice joined DFI as a securities examiner in the Licensing and Registration Branch on Dec. 1. He brings two years experience as a research analyst and trader with Schaeffers Investment Research, an investment newsletter service focusing on stock options. His prior experience includes 18 months as a broker and a brief time as office man-



ager of a dental office. Anthony earned bachelor's degrees in economics and business administration from Transylvania University. He lives in Versailles.

Nicole Biddle joined DFI on Jan. 1 as the Nondepository Institutions Division director. She has worked in Kentucky state government since 2008, when she served as deputy executive director of the cabinet's Office of Legal Services and later as acting general counsel at the Horse Racing Commission. Prior to that she worked in private practice as a Lexington attorney focusing on business litigation, creditors' rights and bankruptcy. She earned degrees in English and mass communication from Denison University in Ohio and a law degree from Michigan State University. She also obtained a masters of law in securities and financial regulation from Georgetown University Law Center in Washington, D.C. She lives in Lexington with her husband, Chris, and their daughter, Kate, 5.



In Brief ...

Stewart appointed to NASCUS board

Financial Institutions Division Director Kathy Stewart is on the Board of Directors of the National Association of State Credit Union Supervisors (NASCUS).

The NASCUS Board of Directors consists of nine individuals who work for state regulatory agencies. Stewart fills a one-year term expiring in September 2010. She was appointed by Board Chairman Thomas Candon of Vermont, and joins board members from Utah, Wisconsin, Washington, North Carolina, Michigan, Iowa and Idaho.

"It is an honor to be selected," said Stewart. "With the current issues facing our credit unions, I hope to add value to the board, particularly in the area of member business lending."

Stewart also serves on the NASCUS Legislative and Regulatory Affairs Committee, which works to advance issues that preserve the viability of the dual chartering system.

NASCUS is a professional regulator's association with a mission to enhance state credit union supervision and advocate for a safe and sound credit union system. For more information, visit www.nascus.org/index.htm.

DFI employee helps draft procedures

Susan Gardner, DFI training coordinator, served a special cabinet assignment from March 8 through May 6. She worked in the Human Resources Management Division of the Office of General Administration and Program Support that provides shared services for the Energy and Environment, Public Protection, and Labor cabinets. She researched and drafted standardized policies and procedure statements for all three cabinets.

"The assignment was interesting and challenging, and I enjoyed it very much," Susan said.